EVERY TEXAN

Formerly Center for Public Policy Priorities

October 1, 2020

Texas Select Committee on Statewide Health Care Costs

via email to Committee Clerks Samantha Durand at Samantha.Durand_HC@house.texas.gov and Brigitt Hartin at Brigitt.Hartin_HC@house.texas.gov

RE: Information responsive to Charge #1, health care costs in Texas

Dear Chair Bonnen and Members of the Committee:

Every Texan (formerly Center for Public Policy Priorities), appreciates the opportunity to submit information in response to your RFI on Interim Charge 1, addressing health care costs in Texas. As requested, our responses to other interim charges/topics will be submitted in separate documents.

At Every Texan, we envision a Texas where people of all backgrounds can contribute to and share in the prosperity of our state. Texas faces long-standing challenges to optimal health, including the nation's highest uninsured rates, and steep financial and systemic barriers for those who have insurance. We work to improve public policies to make affordable, comprehensive care a reality for every Texan.

The high and rapidly increasing cost of health care makes it challenging for many individuals and employers to afford health coverage and health care services. Research shows that the public is very concerned with the affordability of health care and that many individual delay or forego needed care due to cost, or struggle to pay bills when they get care.

Meaningfully addressing health care costs is challenging. We point you to solutions that reduce the unit cost of health care, drive value for consumers, and address social determinants of health. We recommend work by Altarum's Healthcare Value Hub, particularly its recent "Healthcare Affordability State Policy Scorecard," as a good source of state policy options to reduce low-value care and curb excessive prices. We've included information on addressing social determinants of health below.

We strongly caution you **not** to pursue limited-benefit or alternative health plan arrangements in the name of lowering health care costs. While these plans can have lower premiums, that should not be conflated with lowering health care costs. Alternative arrangements that don't play by the same rules as traditional health insurance don't lower health care costs; they shift them – as medical debt for patients who get sick or injured, as uncompensated care to providers, and as higher premiums for comprehensive coverage for people who need or want it.

Limited-benefit or "alternative" health plans do not reduce health care costs; they shift them

The types of health plan arrangements marketed to consumers as a substitute for traditional, comprehensive health insurance, but that lack many standard consumer protections and adequate coverage are increasing. These plans can have lower premiums, but that should not be conflated with lowering health care costs. Furthermore, skimpier health plan options do not solve affordability problems for people who face illness or injury. These plans often have limited benefits and broad exclusions that can expose patients to extremely high costs and medical debt in the event of an emergency or new diagnosis. Their limited coverage also increases the risks of uncompensated care for providers. Finally, by cherry-picking the healthiest individuals or groups (through medical underwriting, age/gender rating, benefit design, and/or pre-existing condition exclusions), they segment the market, which drives up premiums for others with comprehensive coverage.

According to the American Academy of Actuaries, "a key to sustainability of health insurance markets is that health plans competing to enroll the same participants must operate under the same rules."[1] By their very nature, alternative plan arrangements operate by different rules. They are designed specifically to use different rating, include fewer benefits, or deny higher-risk applicants. These plans seek to segment the market, siphoning-off lower risk individual or groups from the broader health risk pool. This causes premiums to rise for less healthy individuals or groups who would either be denied by alternative plans or who need or want comprehensive coverage. The American Academy of Actuaries cautions that boosting plans that adhere to different market rules challenges the viability of many state-based markets, and can ultimately mean that "higher-cost individuals and small groups would find it more difficult to obtain coverage."[2]

Limited-benefit or alternative health plan arrangements do not lower health care costs; they shift them – as medical debt for patients who get sick or injured, as uncompensated care to providers, and as higher premiums for comprehensive coverage for people who need or want it. We urge members to resist calls to further boost limited-benefit plans in the name of cost control or affordability and consider the many trade-offs limited-benefit plans pose along with lower premiums.

Types of limited-benefit or alternative plans

Limited-benefit or alternative plans are more loosely regulated by state and federal agencies, and in some cases, not overseen by Texas Department of Insurance (TDI) at all. Types of alternative health plan arrangements identified on the TDI website and through other sources include:[3]

- short-term plans,
- fixed indemnity plans,
- limited benefit plans,
- association health plans,
- health care sharing ministries,
- direct primary care arrangements,
- self-funded Multiple Employer Welfare Groups (MEWAs)
- level-funded products,
- farm bureau plans, and
- discount plans

Limited coverage and increased risk for medical debt
While premiums for these products can be cheaper, that is because they often do not cover basic health needs including maternity care, prescription drugs, and mental health care. Their limited benefits and broad exclusions can expose patients to extremely high costs in the event of an emergency or new diagnosis. Patients who receive a new diagnosis while covered by certain alternative plans can be dropped when the policy comes up for renewal, leaving them uninsured until open enrollment for traditional health insurance begins.

- A recent Milliman study found that patients with a short-term plan who have a heart attack, are hospitalized for a mental health or substance used disorder, or are newly diagnosed with lymphoma would pay about $20,000 - $40,000 more toward out-of-pocket costs and premiums in the 6 months following diagnosis than patients with a traditional plan.[4] A patient newly diagnosed with lung cancer would encounter $41,000 - $95,000 more in costs.
- Media reports have highlighted stories of patients left with staggering medical bills due to alternative plans including: a Texas man left with $200,000 in unpaid medical bills following a heart attack;[5] a woman left with a $36,000 bill following back surgery;[6] a woman left with $19,000 in bills for sepsis-related treatment;[7] and a couple left with $240,000 in bills following a heart attack.[8]

Limited-benefit plans cause premiums for comprehensive coverage to rise
These products destabilize the individual health insurance market by siphoning off healthy people, which drives up premiums for individuals who want or need comprehensive coverage or who would be denied by alternative plans.

- A recent Milliman analysis found that in states like Texas that allowed the federal expansion of short-term plans, this expansion along with the repeal of the individual mandate penalty contributed to a 4.3% increase in premiums on average in 2020. On the other hand, premiums for traditional insurance dropped an average of 1.2% due to the regulatory actions of the 12 states that restricted or banned the expansion of short-term plans.[9]

Aggressive and misleading marketing
An alarming recent GAO report found that 1-in-4 secret shopper calls it made to brokers and insurers selling limited-benefit plans (including fixed-indemnity, health sharing ministries, and other plans) included deceptive practices that warranted referral to the Federal Trade Commission for investigation.[10] This report is the latest addition in a well-documented history of aggressive, misleading, or deceptive marketing by alternative plans that puts consumers at risk of buying a plan that they do not understand and that will not meet their needs. Examples include: [11]

- Brokers selling some alternative plans rely heavily on telemarketing and are trained to use scripts designed to obscure the plan's limited coverage or lead consumers to believe, incorrectly, that it is Affordable Care Act-compliant;
- Consumers may be pushed to buy a plan quickly and unable to get information on benefits and limits to coverage until *after* they've bought the plan; and

- Consumers shopping online may be fooled by "lead-generator" websites that promote alternative coverage but use misleading terms like "HealthCare.gov" or "Obamacare" in their online ads or websites.

Investing in social determinants of health

From a health insurance perspective, we already know Texas has the highest uninsured rate in the nation (18.4% in 2019) which is more than twice the national average and represents 5.2 million Texans, including 995,000 children. Unfortunately, early analysis shows that the number of uninsured Texans has already jumped by at least a million in 2020, because many of the 3.5 million Texans who have applied for unemployment benefits since March 2020 also lost their health insurance.

But even beyond access to health care or coverage, we know that other social determinants of health (like economic stability, education, and neighborhood and built environment) are a primary driver of health outcomes for children, families and communities.[12] Health starts—long before illness—in our homes, schools and jobs. Improving the drivers of health outcomes at the community and regional level will require changes in state-level policy. Furthermore because of the sheer size of our state and the outsized influence Texas has on the national policy stage, what happens in Texas matters everywhere. One in eleven Americans lives in Texas, and our state is at the leading edge of a profound demographic shift nationwide.

Every Texan should have the opportunity to make the choices that allow them to live a long, healthy life, regardless of their income, education or ethnic background. The opportunity for health begins in our families, neighborhoods, schools and jobs. State policymakers should invest in revenue systems and budgets that allow every Texan to share in our economic prosperity and enjoy a healthy life.

Lack of investment in public systems can undermine true human and community opportunity, particularly for Texans of color, low-income families, and even rural Texans. Solutions call not only for targeted public policy best practices, but also for close attention to how we budget state dollars and whether and how we have adequate state revenue systems to match inflation and population growth, and support broad prosperity.

Health starts where we live, learn, work and play

Living in a supportive neighborhood, being able to attain higher education, and having a good job are all as vital to our health as our medical care.[13] National research has found abundant evidence that our environment impacts our health outcomes. Living in a stressful neighborhood (e.g. experiencing crime and violence, poor quality housing, and limited access to healthy foods), learning in education systems that are inequitable (e.g. with disparate outcomes in early childhood education, high school graduation and higher education enrollment, or disparate access by language and literacy), and working bad jobs (e.g. that make poverty more likely by offering low wages, no benefits like sick leave, and unreliable hours) all contribute to poor health.[14]

Studies involving Texans confirm these findings. For example, how Texans rate their health is not only predicted by physical factors (e.g. body mass index, participation in physical activity) but also

social factors correlated with unequal access to opportunity like whether or not they have a college education, or are of Hispanic ethnicity.[15] Even risk of death is lower overall in Texas counties with more equal income distribution.[16]

Texans rate their health more positively when they live in neighborhoods with high trust and reciprocity, and more negatively when they live in neighborhoods with more physical and social disorder and experiences of racism.[17] Both actual and perceived exposure to environmental hazards (like living near a large petrochemical complex) can affect health outcomes.[18]

Texans with one or more adverse child experiences (such as child abuse or neglect) are more likely to experience health problems as an adult like obesity, as well as difficulties maintaining employment and completing higher education.[19] Children experiencing poverty – which in Texas is one in five – are more likely to have a high number of adverse childhood experiences, which increases health risks proportionately.[20]

National research has also has found that immigrant communities benefit from existing services inequitably. One in seven adults in immigrant families (13.7 percent) reported chilling effects, in which the respondent or a family member did not participate in a noncash government benefit program in 2018 for fear of risking future green card status – and the rate was almost twice as high for low-income and/or Hispanic adults, including those with children in the household.[21]

This is just a sample of the different ways our social environment contributes to our health outcomes. Texas can tailor its public policies to ensure that every Texan, regardless of where they live, learn, work, and play, and regardless of their racial and ethnic background, has the opportunity to reach their full potential.

Every Texan recommends the Committee members review Texas-based research on Social Determinant of Health from the Episcopal Health Foundation at https://www.episcopalhealth.org/report-type/social-determinants-of-health/; and the Texas Health Institute at https://www.texashealthinstitute.org/produce-evidence--ideas.html .

Thank you for your critical efforts to study health care costs. We stand ready to help as you consider legislative options to ensure that every Texan has access to affordable and comprehensive health care.

Respectfully,

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[1] American Academy of Actuaries, "Association Health Plans," 2017, https://www.actuary.org/content/association-health-plans-0.

[2] Ibid.

[3] Texas Department of Insurance, https://www.tdi.texas.gov/news/2019/tdi11252019.html and http://www.texashealthoptions.com//cp/qhp.html; Christina Lechner Goe, "Non-ACA-Compliant Plans and the Risk of Market Segmentation," March 2018, http://www.healthyfuturega.org/wp-content/uploads/2018/03/Non-ACA-Compliant-Plans-and-the-Risk-of-Market-Segmentation.pdf; Urban Institute, "Perspective from Brokers: The Individual Market Stabilizes While Short-term and Other Alternative Products Pose Risks," April 2020, https://www.urban.org/sites/default/files/publication/102063/perspective-from-brokers-the-individual-market-stabilizes-while-short-term-and-other-alternative-products-pose-risks_0.pdf; and Urban Institute, "Small Business Health Insurance and the ACA: Views from the Market 2017," July 2017, https://www.urban.org/sites/default/files/publication/92291/2001459_small_business_health_insurance_and_the_aca_views_from_the_market_2017_0.pdf.

[4] Milliman, "The impact of short-term limited-duration policy expansion on patients and the ACA individual market," February 2020, https://www.lls.org/sites/default/files/National/USA/Pdf/STLD-Impact-Report-Final-Public.pdf

[5] Jenny Deam, "A Doctor's Scribbled Note Leads To Patient Losing Health Insurance," *Houston Chronicle*, November 27, 2019, https://www.houstonchronicle.com/business/article/A-doctor-s-scribbled-note-leads-to-patient-14865448.php

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[8] Zeke Faux, Polly Mosendz, and John Tozzi, "Health Insurance That Doesn't Cover the Bills Has Flooded the Market Under Trump," *Bloomberg Businessweek*, September 17, 2019, https://www.bloomberg.com/news/features/2019-09-17/under-trump-health-insurance-with-less-coverage-floods-market.

[9] Milliman, February 2020

[10] U.S. Government Accountability Office, "Private Health Coverage: Results of Covert Testing for Selected Offerings," released September 16, 2020, https://www.gao.gov/products/GAO-20-634R**.**

[11] Jenny Deam, "Risky Business: Buying health insurance in the new age of deregulation," *Houston Chronicle*, November 27, 2019, https://www.houstonchronicle.com/business/article/Risky-Business-Buying-health-insurance-in-the-14865415.php

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[14] WHO (World Health Organization). 2012. *What are the social determinants of health?* http://www.who.int/social_determinants/sdh_definition/en/ (accessed June 8, 2017).

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